which they offer for excise purposes. Now, they must bear some relation. Now, we think that 60 per cent of MRP is a proper assessable value. If you offer only 10 per cent of MRP as an assessable value, how does the Excise Department accept that? Can 90 per cent ever be the post-manufacturing cost? Therefore, we have done this study. We have consulted the Ministry of Chemicals and Fertilisers, which is the Administrative Ministry. We have asked for a study to be done by the NPPA. I have got the figures of the price builp-up on many, many products. And, we think that 40 per cent is a generous abatement from MRP.

SHRIMATI S.G. INDIRA: Sir, I would like to know from the hon. Minister whether there is complete or partial exemption for pharma industries in some of the areas. If such an exemption on excise duty does exist, then, the benefit would go to the consumers and the workers working in these industries.

SHRI P. CHIDAMBARAM: That is correct. Area-based exemptions have been given to the North-East, Jammu and Kashmir, and now, of course, a few years ago, to Himachal Pradesh and Uttaranchal. As a result of these area-based exemptions, industries located in these areas would get tax concessions, which are not available to industries located in other areas. So, the producer there does get a benefit. But whether that benefit is passed on to the consumer is very difficult to say. Sometimes these benefits are not passed on to the consumers.

Streamlining of procedure in respect of education loans

*282. SHRI N.R. GOVINDRAJAR: Will the Minister of FINANCE be pleased to state:

(a) the details of the education loan provided by various public sector banks in Tamil Nadu;

(b) whether getting education loan from banks is very difficult whereas it is regularly announced that the procedure of loan has been simplified;

(c) if so, the details thereof; and

(d) the steps being taken to streamline this system so that better service can be provided to the student community by the banks?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (d) A Statement is placed on the Table of the House.

Statement

(a) The bank-wise details of educational loans sanctioned by various Public Sector- Banks in Tamil Nadu during the period from 1.4.2004 to 28.2.2005 are at Statement-I (*See* below)

(b) and (c) No, Sir. However, banks are adhering to the guidelines issued by Indian Banks' Association (IBA) from time to time. Under the revised Model Educational Loan Scheme (August 31, 2004), the simplified procedure/criteria are at Statement-II (*See* below).

(d) The model educational loan scheme of IBA has been adopted by banks. Banks have also delegated adequate discretionary powers to the Branch Managers/Regional Managers. Awareness cum educational loan campaigns are conducted by banks periodically at reputed educational Institutions/Universities to reach out to a larger number of students and parents. Instructions to Bank Managers are reiterated from time to time.

Statement-I

Statement showing bank-wise details of educational loans sanctioned by various Public Sector Banks in Tamil Nadu during the period from 1.4.2004 to 28.2.2005

Sl. No.	Name of the Bank	Number of loans sanctioned	Amount sanctioned (Rs. in crore)
1.	Andhra Bank	2159	29.53
2.	Bank of Baroda	1057	10.18
3.	Bank of India	864	11.56
4.	Bank of Maharashtra	16	0.33
5.	Canara Bank	5335	98.18
6.	Central Bank of India	980	12.08
7.	Corporation Bank	379	5.04
8.	Indian Bank	5519	61.35
9.	Indian Overseas Bank	3848	68.73
10.	Oriental Bank of Commerce	430	2.69
11.	Punjab National Bank	349	4.87
12.	Syndicate Bank	1417	12.24
13.	UCO Bank	347	6.06
14.	Union Bank of India	1370	12.61
15.	Vijaya Bank	291	2.69
16.	State Bank of India	13144	148.00
17.	State Bank of Mysore	776	9.03
18.	State Bank of Travancore	180	5.21
	Total:	38461	500.38

SOURCE: Information furnished by Indian Overseas Bank, Convener of State Level Bankers Committee.

Statement-II

Statement Showing Simplified Procedure/Criteria in the Revised Model Educational Loan Scheme (August 2004)

SECURITY:

Upto Rs. 4 lakh	:	No Security.
Above Rs. 4 lakh and Upto Rs. 7.5 lakh	:	Collateral in the form of a suitable third party guarantee. The bank may, at its discretion, waive third party guarantee if satisfied with the net-worth/means of parent who would be executing the documents as "joint borrower". (Prior to August 2004 - collateral security equal to 100% of loan amount or guarantee of third person was required).
Above Rs.7.5 lakh	:	Collateral security of suitable value or suitable third party guarantee along with the assignment of future income of the student for payment of instalments.

PROCEDURES:

- The loan to be sanctioned as per delegation of powers preferably by the Branch nearest to the place of domicile.
- No application for educational loan received should be rejected without the concurrence of the next higher authority.
- The loan to be disbursed in stages as per the requirements/demand directly to the Institutions/Vendors of books/equipments/instruments to the extent possible.

In the revised model scheme - August 2004, the following was added:

- In the normal course, while appraising the loan the future income prospects of the student will be looked into. However, where required, the means of parent/guardian could also be taken into account to evaluate re-payment capability.

SHRI N.R. GOVINDRAJAR: Sir, I have only one supplementary. I want to know from the hon. Finance Minister as to whether there is any proposal

to raise the rate of interest on educational loan to those students coming from rural areas and also to make the procedure simple.

SHRI P. CHIDAMBARAM: Sir, the procedure is reasonably simple. Any student, who has gained admission to any professional course, like engineering or medicine or pharma or microbiology, is entitled to take an educational loan under the scheme. The procedure is reasonably simple. He and his father or mother have to only sign the application. It requires no collateral and no guarantee. But, as far as the interest rate is concerned, as I said, the Government is not interfering with the price mechanism of banks. The banks have been told to lend at reasonably low rates. And, they do not lend at rates which are competitive interms of the cost of borrowing and their cost of lending. We are not interfering with the price mechanism, and there is no proposal to rise the interest rate. Also, I don't think that the interest rates in educational loans will go up.

SHRI S.S. AHLUWALIA: Sir, the Minister has mentioned about the categories of courses where educational loans will be provided. But what about I.T. education? Also, when the bank needs the signature of the student's father or mother, what will happen in case mother is a housewife and father is a farmer. Would they still get loan up to Rs. 4 lakhs, when they say that no collateral is required?

SHRI P. CHIDAMBARAM: On the contrary, it is the Government's policy that up to Rs. 4 lakhs, loan must be given on the student's signature to be supported by the signature of his father or mother, irrespective of whether the father or mother has any income to satisfy the bank. We want the student to get the loan. We want the father or the mother to simply countersign the application. So, whether father is a farmer or mother is a housewife, that loan must be granted.

SHRI S.S. AHLUWALIA: What about I.T. education?

SHRI P. CHIDAMBARAM: Yes, if it is a professional course, he will; get the loan. In case of all professional courses, loans are available. Of course, if he has failed a couple of times, he won't get the loan. If he fails in the first semester or the second semester or the third semester, he would not get the educational loan. The loan is meant only for mertiorious student who have a good record. This year, up to December, we have given educational loans to1,40,000 students; as against, 1,07,000 for the whole financial year of the last year.

SHRI B.S. GNANADESIKAN: Sir, the hon. Minister is, in fact, visiting each bank to emphasise that the loans must be disbursed to the students. In this way public awareness has been created. Sir, through you, I would like to know from the hon. Finance Minister that in the revised model scheme of August, 2004, another component has been added, namely, earlier for a loan above Rs. 7.5 lakh, collateral security of suitable value was required. That is one component. The other component is, third party guarantee, along with assignment of future income of the student for payment of instalments. Now, the repayment capacity of the parent or the guardian has also been added. Will the hon.Minister consider, subject to correction, to delete that portion from the third component?

SHRI P. CHIDAMBARAM: Sir, as far as loans above Rs. 7.5 lakh are concerned, a very small number of students borrow more than Rs. 7.5 lakh. The bulk of the loans are below Rs. 4 lakh and a significant proportion is between Rs. 4 lakh and Rs. 7.5 lakh. It is only a student who is going abroad, who is likely to borrow above Rs. 7.5 lakh. And the change made on 31st August, 2004 is, above Rs. 7.5 lakh, it is collateral security of suitable value 'or' not 'and', or suitable third party guarantee, along with future income of the student for payment of instalments. This applies only when the loan amount is in excess of Rs. 7.5 lakh. When a bank is asked to lend more than Rs. 7.5 lakh, obviously, some security has to be taken. It is not 'and', it is 'or'.

SHRI S.P.M. SYED KHAN: Sir, I would like to know from the hon. Minister whether the Reserve Bank of India has issued guidelines for educational loans. I also want to know from the hon. Minister whether it is a fact that many public sector banks have denied educational loans to students.

SHRI P. CHIDAMBARAM: Sir, educational loans are given by the banks in accordance with the Government's policy. The scheme is being drafted by all the banks together, under the aegis of the IBA, and, obviously, in cosultation with the Reserve Bank of India. It is not correct to say that any bank is denying educational loans. I have a list of banks here. Some have given more loans, some have given less loans; that depends upon the number of branches of that bank in that State. For example, out of 1,40,000 loans given, 38, 461 have been given by the banks in Tamil Nadu. Perhaps, that is because I have travelled in Tamil Nadu a couple of times *(Interruptions)* I am willing to travel to other States.

MR. CHAIRMAN: Because you come from Tamil Nadu.

SHRI P. CHIDAMBARAM: I am ready to travel to other States, if that will give a fillip to the banks. I don't think there is any bank which is denying a loan. If there is a particular complaint about a bank, please bring it to me notice, and I will attend to it.

SHRIMATI AMBIKA SONI: Sir, I want to know from the hon. Minister whether he is aware—he says that nobody is being denied educational loans, at least, it is not in his knowledge—that those students who are following Humanities courses have often been refused loans. They are being deprived of this facility provided by the Government. If he is aware of this, then, what is the number of students who have been deprived of educational loans for Humanities courses?

SHRI P. CHIDAMBARAM: Sir, I did not say that nobody is being denied a loan. All I said is, a large number of loans are given. Cases have come to me where students have been denied loans. I have intervened and those cases have been sanctioned. In a few cases where the students gave wrong particular to me, I had written to the banks, and the banks had reported to me why they had declined the loan. The hon. Member is right that the scheme only covers professional courses like engineering, medicine, agriculture, veterinary, law, dental, management, computers; it covers computer certificate courses or reputed institues accrediated to the Department of Electronics; it covers courses like ICWA, CA and CFA; it covers courses conducted by IIM, IIT, IISC, XLRI and NIFT. So, you will find that, by and large, these are professional courses. In the humanities, I agree, there is a little reluctance on the part of banks to lend because of reasons which all of us know. But, it is not correct to say that everyone who pursues Humanities courses is being denied. For example, Ph.Ds are granted. But, I agree that the bias is in favour of professional courses and not enough loans are being given to those who pursue Humanities.

Internal audit system for Panchayati Raj System

*283. SHRI K. RAMA MOHANA RAO: Will the Minister of PANCHAYATI RAJ be pleased to state:

(a) whether Government are contemplating introduction of an internal audit system for all tiers of Panchayati Raj System;

(b) the steps being taken by Government to provide institutional framework to this system at the State and Union level;